

GRACE OUTREACH CENTER
FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/30/09

Sean M. Bruno
Certified Public Accountants

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Sean M. Bruno
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Grace Outreach Center
New Orleans, Louisiana

I have audited the accompanying statement of financial position of **Grace Outreach Center** (a non-profit organization) as of December 31, 2008 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of **Grace Outreach Center's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

I conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referenced in the first paragraph present fairly, in all material respects, the financial position of **Grace Outreach Center** as of December 31, 2008, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

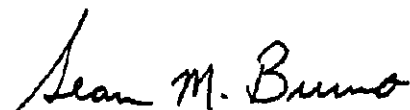
INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
Grace Outreach Center
New Orleans, Louisiana
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In accordance with *Government Auditing Standards*, I have also issued our report dated August 12, 2009, on our consideration of **Grace Outreach Center's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Government and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

The other supplementary information which is prepared in accordance with accounting principles generally accepted in the United States of America and is not a required part of the financial statements has also been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.



SEAN M. BRUNO

CERTIFIED PUBLIC ACCOUNTANTS

August 12, 2009

Sean M. Bruno

Certified Public Accountants

GRACE OUTREACH CENTER
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2008

ASSETS

Cash and cash equivalents (NOTE 2)	\$ 9,904
Grants and contracts receivable (NOTE 4)	103,745
Other receivables	100
Prepaid expenses	1,700
Deposits	3,000
Fixed assets net of accumulated depreciation/amortization of \$3,963 (NOTES 2 and 3)	<u>23,277</u>
Total assets	\$ <u>141,726</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 22,771
Payroll liabilities	3,523
Short-term loan payable (NOTE 6)	13,800
Other liabilities	2,234
Note payable (NOTE 5)	<u>19,325</u>
Total liabilities	<u>61,653</u>
Net Assets (NOTE 2):	
Unrestricted	<u>80,073</u>
Total net assets	<u>80,073</u>
Total liabilities and net assets	\$ <u>141,726</u>

The accompanying notes are an integral part of these financial statements.

GRACE OUTREACH CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Revenues and Support:	
Grants and contracts	\$ 784,025
Contribution	<u>10,000</u>
Total revenues and support	<u>794,025</u>
Expenses:	
Program services	643,301
Support services	<u>117,375</u>
Total expenses	<u>760,676</u>
Change in net assets	33,349
Net Assets:	
Beginning of year	<u>46,724</u>
End of year	\$ <u>80,073</u>

The accompanying notes are an integral part of these financial statements.

GRACE OUTREACH CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$ 33,349
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	3,818
Increase in grant receivables	(58,420)
Increase in other receivables	(100)
Increase in prepaid assets	(1,700)
Increase in deposits	(3,000)
Increase in other liabilities	2,234
Increase in payroll liabilities	3,523
Increase in short-term loan payable	5,500
Decrease in accounts payable	<u>(1,240)</u>
Net cash used in operating activities	<u>(16,036)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	<u>(23,190)</u>
Net cash used in investing activities	<u>(23,190)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from notes payable	<u>19,325</u>
Net cash provided by financing activities	<u>19,325</u>
Net decrease in cash and cash equivalents	(19,901)
Cash - January 1, 2008	<u>29,805</u>
Cash - December 31, 2008	\$ <u>9,904</u>

The accompanying notes are an integral part of these financial statements.

GRACE OUTREACH CENTER
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Grace Outreach Center is a non-profit organization, which serves as a faith based intensive outpatient treatment and residential facility that provides a variety of services to adults with addictive disorders in the New Orleans area to assist them in maintaining a lifestyle free from the harmful effects of addiction.

Financial Statement Presentation

Grace Outreach Center has adopted the provisions of Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations", which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to external (donor) imposed restrictions.

A description of the three net asset categories is as follows:

Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the missions of **Grace Outreach Center** are included in this category.

Temporarily restricted net assets include realized gains and losses, investment income and gifts and contributions for which donor-imposed restrictions (capital improvements, etc.) have not been met.

Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor-imposed restrictions.

At December 31, 2008, **Grace Outreach Center** did not have any temporarily or permanently restricted net assets.

GRACE OUTREACH CENTER
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Cash and Cash Equivalents

Cash consist solely of demand deposits and a money market account that is secured by federal deposit insurance. All highly liquid debt instruments purchased with an original maturity of three (3) months or less are considered to be cash equivalents for purposes of the statement of cash flows. All deposits are secured by federal deposit insurance.

Fixed Assets

Fixed assets that exceed \$500 are recorded at cost (or fair market value for donated assets) and are depreciated using the straight-line method over the estimated useful lives of the related assets, which varies from five to seven years.

Income Taxes

Grace Outreach Center is a tax exempt corporation under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provisions for federal or state income taxes have been recorded in the accompanying financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GRACE OUTREACH CENTER
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
CONTINUED:

Fair Values of Financial Institutions

Generally accepted accounting principles require disclosure of fair value information about financial instruments for which it is practicable to estimate fair value, whether or not recognized in the statement of financial position. Cash and cash equivalents carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

NOTE 3 - FIXED ASSETS

Changes in the net book value of office furniture, computer equipment, and capitalized software costs during the year ended December 31, 2008 were as follows:

<u>Description</u>	<u>Balance January 1, 2008</u>	<u>Additions/ Deletions</u>	<u>Balance December 31, 2008</u>
Furniture & fixtures	\$ 4,050	\$ - 0-	\$ 4,050
Truck	-0-	23,190	23,190
Accumulated depreciation	<u>(145)</u>	<u>(3,818)</u>	<u>(3,963)</u>
Total	\$ <u>3,905</u>	\$ <u>19,372</u>	\$ <u>23,277</u>

Depreciation expense totaled \$3,818 for the year ended December 31, 2008.

GRACE OUTREACH CENTER
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - GRANTS AND CONTRACTS RECEIVABLE:

Grants and contracts receivable consists of the following as of December 31, 2008:

Metropolitan Human Services District:	
Block Grant for Prevention and Treatment of Substance Abuse	\$ 76,285
Louisiana Department of Health and Hospitals:	
Access to Recovery Program	<u>27,460</u>
Total	<u>\$ 103,745</u>

NOTE 5 - NOTE PAYABLE

Grace Outreach Center entered into a loan agreement with a local car dealership to purchase a van to transport clients with addictive disorders. The loan is to be repaid in five years at an annual interest rate of approximately 11.59%. The notes payable balance at December 31, 2008 totaled \$19,325.

NOTE 6 - RELATED PARTY TRANSACTION

Grace Outreach Center leases the facility used as the group home for homeless clients with addictive disorders from the Executive Director. Under the lease agreement, Grace Outreach Center is responsible for all utility and telephone charges. During the year ended December 31, 2008, the Executive Director was paid \$40,755 for rent payments. In addition, during the year ended December 31, 2008 Grace Outreach Center borrowed funds in the amount of \$13,800 from executives within the organization.

GRACE OUTREACH CENTER
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 7 - CONTINGENCY

Grace Outreach Center is the recipient of grant funds from various sources. The grants are governed by various guidelines, regulations, and contractual agreements. The administration of the programs and activities funded by the grants are under the control and administration of **Grace Outreach Center** and are subject to audit and/or review by the applicable funding sources. Any grant funds found not to be properly spent in accordance with the terms, conditions, and regulations of the funding source may be subject to recapture.

SUPPLEMENTARY INFORMATION

GRACE OUTREACH CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

FEDERAL GRANTOR/PROGRAM NAME	FEDERAL CFDA OR OTHER NUMBER	PASS-THROUGH ENTITY'S NUMBER	ACTIVITY
<u>U.S. Department of Health and Human Services</u>			
<i><u>Awards from a Pass-Through Entity</u></i>			
Through: <u>Metropolitan Human Services District</u>			
Block Grants for Prevention and Treatment of Substance Abuse	93.959		\$ <u>650,979</u>
Total U.S. Department of Health and Human Services			<u>650,979</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>650,979</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

GRACE OUTREACH CENTER
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 1 - Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **Grace Outreach Center** and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented, or used, in the preparation of the basic financial statements.

GRACE OUTREACH CENTER
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Program Services	Support Services	Total
Depreciation expense	\$ 3,818	\$ -	\$ 3,818
Office rent	48,620	48,620	97,240
Group home rent	40,755	-	40,755
Utilities	5,602	5,602	11,204
Telephone and internet services	11,886	8,103	19,989
License, permits and fees	1,040	-	1,040
Bank charges and interest	4,060	-	4,060
Food	9,848	-	9,848
Storage	540	-	540
Equipment rental and maintenance	3,464	3,464	6,928
Printing and copying	2,240	2,240	4,480
Repairs and maintenance	6,335	-	6,335
Security expenses	420	-	420
Insurance	16,109	-	16,109
Automobile fuel	1,658	-	1,658
Property taxes	2,894	-	2,894
Relocation expenses	6,250	-	6,250
Training sessions	1,178	-	1,178
Supplies	23,226	12,674	35,900
Postage	323	-	323
Client personal care	1,468	-	1,468
Client education	483	-	483
Counselor's fees	17,572	-	17,572
Professional fees	32,700	-	32,700
Director fees	54,824	-	54,824
Medical service fees	2,000	-	2,000
Salaries and related benefits	326,858	36,672	363,530
Conferences and meeting	1,513	-	1,513
Mileage	1,392	-	1,392
AmeriCorps expenses	4,950	-	4,950
Miscellaneous expenses	9,275	-	9,275
Total Expenses	\$ 643,301	\$ 117,375	\$ 760,676

See the Independent Auditors' Report on Supplemental Information.

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**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Grace Outreach Center
New Orleans, Louisiana

I have audited the financial statements of **Grace Outreach Center** as of and for the year ended December 31, 2008, and have issued our report thereon dated August 12, 2009. I conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, I considered **Grace Outreach Center's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Grace Outreach Center's** internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of **Grace Outreach Center's** internal control over financial reporting.

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

(CONTINUED)

Internal Control over Financial Reporting, (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material Weaknesses. However, as discussed below, I identified a deficiency in internal control over financial reporting that I consider to be a significant deficiency.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting. The deficiency is described in the Schedule of Findings and Questioned Costs as item 2008-01.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that the significant deficiency described above is not a material weakness.

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

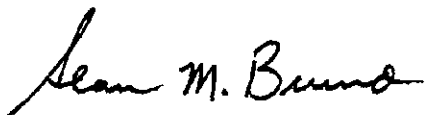
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Grace Outreach Center's** financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, I do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2008-01.

I noted certain other matters that I reported to management of **Grace Outreach Center** in a separate letter dated August 12, 2009. **Grace Outreach Center's** response to the finding identified in our audit is described in the accompanying schedule of findings and responses. I did not audit **Grace Outreach Center's** response and, accordingly, I express no opinion on it.

This report is intended solely for the use of **Grace Outreach Center**, its Board of Directors, management and the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



**SEAN M. BRUNO
CERTIFIED PUBLIC ACCOUNTANTS**

August 12, 2009

Sean M. Bruno
Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Grace Outreach Center
New Orleans, Louisiana

Compliance

I have audited the compliance of **Grace Outreach Center** (a non-profit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2008. **Grace Outreach Center's** major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of **Grace Outreach Center's** management. Our responsibility is to express an opinion on **Grace Outreach Center's** compliance based on our audit.

I conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Grace Outreach Center's** compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on **Grace Outreach Center's** compliance with those requirements.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

(CONTINUED)

Compliance, (Continued)

In our opinion, Grace Outreach Center complied in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2008.

Internal Control Over Compliance

The management of Grace Outreach Center is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, I considered Grace Outreach Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Grace Outreach Center's internal control over compliance.

A *control deficiency* in the entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

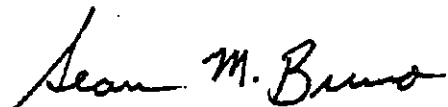
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Internal Control over Compliance, (Continued)

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, the audit committee, management, State of Louisiana and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



**SEAN M. BRUNO
CERTIFIED PUBLIC ACCOUNTANTS**

August 12, 2009

Sean M. Bruno
Certified Public Accountants

GRACE OUTREACH CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008

SCHEDULE I - Summary of the Independent Auditors' Results

1. Type of report issued on the Schedule of Expenditures of Federal Awards: Unqualified
2. Did the audit disclose any material weaknesses in internal control over financial reporting: No
3. Did the audit disclose any significant deficiencies in internal control over financial reporting that are not considered to be material weaknesses: Yes
4. Did the audit disclose any non-compliance which is material to the financial statements of the organization: No
5. Did the audit disclose any material weaknesses internal control over major federal programs: No
6. Did the audit disclose any significant deficiencies in internal control over major programs that are not considered to be material weaknesses: No
7. Type of report issued on compliance for major programs: Unqualified
8. Did the audit disclose any audit findings which the independent auditors are required to report under OMB Circular A-133, Section 510(a): No

GRACE OUTREACH CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008

SCHEDULE I - Summary of the Independent Auditors' Results, Continued

9. The following is an identification of major program:

<u>CFDA Number</u>	<u>Federal Program</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse

10. The dollar threshold used to distinguish between Type A and Type B Programs, as described in OMB Circular A-133, Section 520(b) is as follows:

<u>Program</u>	<u>Amount</u>
Type A	\$300,000

11. Did the auditee qualify as a low-risk auditee under OMB Circular A-133, Section 530:

No

12. Were management letter comments issued:

Yes

GRACE OUTREACH CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008

SCHEDULE II - Financial Statement Findings

2008-01 – Late Submission of Audit Report

Criteria

Louisiana Revised Statute 24:513 requires audit reports to be completed and submitted to the State of Louisiana Legislative Auditor within six (6) months after year end, unless the Louisiana Legislative Auditor Audit Advisory Council approves an extension request, based only on a natural disaster, to file the audit report with the Louisiana Legislative Auditor by a specific date.

Condition

The December 31, 2008 audited financial statements were not submitted to the Legislative Auditor's office by the statutory due date of June 30, 2009.

Effect

An audit report filed with an approved extension from the Legislative Auditor after the six (6) months timeframe for any reason other than for a natural disaster is a violation of the State audit completion and submission law.

Cause

Grace Outreach Center did not engage an independent audit firm or complete its financial statements in a timely manner.

Recommendation

I recommend that Grace Outreach Center review its financial reporting procedures to ensure that audit engagements are submitted to the State of Louisiana Legislative Auditor within the required time frame.

GRACE OUTREACH CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008

Management's Response

We will implement procedures to ensure that the 2009 audit report is completed and issued within prescribed guidelines as required by Louisiana Revised Statute 24:513.

GRACE OUTREACH CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008

SCHEDULE III - Federal Award Findings and Questioned Costs

No matters noted.

GRACE OUTREACH CENTER
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008

There were no prior year audit findings.

Sean M. Bruno
Certified Public Accountants

Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board of Directors
Grace Outreach Center
New Orleans, Louisiana

I have audited the financial statements of **Grace Outreach Center** for the year ended December 31, 2008, and have issued our report thereon dated August 12, 2009.

In planning and performing our audit of the financial statements, I considered the organizations internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

During our audit, I became aware of a matter that is an opportunity for strengthening internal control and operating efficiency. The memorandum that accompanies this letter summarizes our finding and recommendation regarding the matter. Also, I have reviewed Management's Corrective Action Plan with regard to the December 31, 2008 comments to management.

This letter does not affect our report dated August 12, 2009 on the financial statements of **Grace Outreach Center**.

GRACE OUTREACH CENTER
INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT, CONTINUED

CURRENT YEAR MANAGEMENT LETTER COMMENTS

08-01 - PROCUREMENT POLICY

Condition

During the performance of our audit procedures, I noted that **Grace Outreach Center** did not maintain written policies and procedures for purchasing services, supplies, and other expendable property, equipment, and real property.

Recommendation

I recommend that management develop and implement written policies and procedures for the procurement process in accordance with applicable state and federal guidelines.

Management's Response

We concur with the auditor's comment and will take the necessary steps to document the Center's policies and procedures.

08-02 - DIRECTOR'S FEES

Condition

During the performance of our audit procedures, I noted that the amount recorded in the general ledger as expenses for Director's fees did not reconcile to the Director's Form 1099.

Recommendation

I recommend that management develop and implement internal controls procedures to ensure that amounts paid to contractors and/or directors and recorded in the general ledger reconcile to applicable IRS forms.

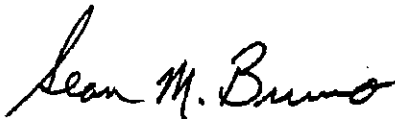
Management's Response

We will take the necessary steps to reconcile amounts recorded in the general ledger and amounts included in the IRS Form 1099 for amounts paid to the Director. We will also implement procedures to ensure that 1099s are reconciled to amounts recorded in the general ledger.

GRACE OUTREACH CENTER
INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT, CONTINUED

I will review the status of these comments during our next audit engagement. I have already discussed many of these comments and suggestions with appropriate personnel of **Grace Outreach Center**, and I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendation.

This report is intended solely for the information and use of the Board of Directors, and management and is not intended to be and should not be used by anyone other than these specified parties.



SEAN M. BRUNO
CERTIFIED PUBLIC ACCOUNTANTS

August 12, 2009

Sean M. Bruno
Certified Public Accountants